MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM 1D 2210)

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

15 FEBRUARY 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Cloud Five Berhad engages in the network development business. In controlling the competitor, Cloud Five Berhad purchased 80,000 ordinary shares of Q-Network Sdn. Bhd. on 1 January 2016. The retained profit of Q-Network Sdn. Bhd. on 1 January 2016 was RM15,000. There were no other reserves in Q-Network Sdn. Bhd. The financial year end of both companies is 31 December annually.

Given below are the statements of profit or loss for the year ended 31 December 2021:

Statement of profit or loss for the year ended 31 December 2021

	Cloud Five Berhad RM	Q-Network Sdn. Bhd. RM
Revenue	250,000	100,000
Expenses	(205,000)	(70,000)
Profit before tax	45,000	30,000
Tax expense	(20,000)	(10,000)
Net profit	25,000	20,000

Statement of financial position as at 31 December 2021

	Cloud Five Berhad RM	Q-Network Sdn. Bhd. RM
Assets and Liabilities		
Sundry assets	375,000	175,000
Investment in Q-Network Sdn. Bhd.	125,000	-
Liabilities	(50,000)	(25,000)
	450,000	150,000
Equity		
Ordinary share capital @RM1	400,000	100,000
Retained profit at 1 January 2021	25,000	30,000
Profit for the year	25,000	20,000
	450,000	150,000

Additional information:

i) The non-controlling interest is measured based on the fair value of the net assets of Q-Network Sdn. Bhd.

ii) Accumulated impairment for goodwill on consolidation as at 1 July 2021 was RM2,000.

iii) On 1 July 2021, Cloud Five Berhad disposed 50 percent of its holdings in Q-Network Sdn. Bhd. for RM140,000. Cloud Five Berhad has not received the proceeds and has not recorded the transaction yet.

iv) On 1 July 2021, the fair value of one ordinary share of Q-Network Sdn. Bhd. was RM3.40.

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Required:

a) Compute goodwill on consolidation.

(4 marks)

b) Compute the gain or loss on disposal of the shares for Cloud Five Berhad and the Group.

(8 marks)

c) Prepare the consolidated statement of profit or loss as at 31 December 2021.

(13 marks)

(Total: 25 marks)

QUESTION 2

Silicon Berhad acquired Ijex Berhad on 1 January 2017. As at 31 December 2021, the summarised accounts of the two companies were as follows:

	Silicon Berhad RM '000	**Ijex Berhad RM '000**
Non-current assets	18,580	17,970
Investment in Ijex Berhad	10,000	-
Loan Receivable	5,000	-
Inventories	4,300	3,500
Trade Receivables	2,000	2,500
Bank	140	1,630
	40,020	25,600
Share capital @ RM 1 each	20,000	10,000
Retained profits	10,185	6,480
Loan from Silicon Berhad	-	2,000
Deferred Taxes	2,000	1,000
Trade Payables	3,135	2,420
Taxation payable	2,200	1,600
Dividend payable	2,500	2,100
	40,020	25,600

Additional Information:

a) Investment in Ijex Berhad was recorded at cost. The other information related to the investment were:

Number of ordinary shares acquired	7,500,000
Retained profit as at 1.1. 2017	RM2,000,000

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There was a difference between the net asset and fair value of the company as a whole due to a revaluation surplus of a machinery amounting to RM1,000,000. On 1 January 2017, the machinery was expected to have a remaining useful life of 10 years with no salvage value. Ijex Berhad had not updated its record on this revaluation.

b) During the year 2021, the following transactions took place:
   - Silicon Berhad sold inventory at cost plus 20% to Ijex Berhad for RM1,920,000. At the end of 2021, a quarter of the inventory still remained with Ijex Berhad.
   - Ijex Berhad sold inventory at cost plus 25% to Silicon Berhad at RM RM2,500,000. A quarter of the inventories had then been sold by Silicon Berhad.

c) In year 2020, Silicon Berhad completed the construction of a plant for the use of Ijex Berhad. The details of the plant were:

Cost	RM1,000,000
Selling price	RM2,500,000
Depreciation method	10% on cost

d) It is the company's policy:
   - to measure the non-controlling interest at proportionate share of the fair value of the net assets acquired at the date of acquisition.
   - to charge a full year depreciation on the depreciable assets in the year of purchase.

Required:

a) Calculate the goodwill of the acquisition.

(5 marks)

b) Prepare the consolidated statement of financial position of the group as at 31 December 2021. Show all relevant workings.

(20 marks)

(Total: 25 marks)

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QUESTION 3

Given below were the financial information for Nikki Berhad, Nicole Berhad and Nipon Berhad as at 31 December 2021.

	Nikki Berhad (RM)	Nicole Berhad (RM)	Nipon Berhad (RM)
Ordinary Shares @ RM 1	1,600,000	600,000	640,000
Retained Profits	497,000	320,000	428,000
Trade Payable	340,000	120,000	108,000
Long-term Liabilities	284,000	242,000	140,000
	2,721,000	1,282,000	1,316,000
Non-current Assets	823,000	610,000	620,000
Investment in Nicole Berhad	850,000	-	-
Investment in Nipon Berhad	520,000	-	-
Trade Receivables	280,000	354,000	224,000
Inventory	150,000	246,000	312,000
Cash	98,000	72,000	160,000
	2,721,000	1,282,000	1,316,000

Additional information:

1) Nikki Berhad acquired 360,000 ordinary shares in Nicole Berhad on 1 January 2018 by paying RM500,000 cash. Retained profits on the acquisition date recorded RM100,000.

   On 1 January 2021, Nikki Berhad acquired additional 180,000 shares by paying RM350,00 cash. Retained profits on the date recorded RM220,000. On that date, a non-depreciable non-current asset had a fair value that was RM100,000 more than its carrying value.

2) A total of 256,000 shares were acquired in Nipon Berhad on 1 July 2021. All the assets of Nipon were carried at the latest fair value except a plant where its fair value is RM150,000 more than its carrying value. The remaining useful life of the plant was 5 years. As at 1 January 2021, the retained profits of Nipon Berhad recorded RM240,000.

3) In year 2020, Nikki Berhad sold a machinery to Nicole Berhad for RM 500,000. The carrying value of the machinery recorded RM 340,000 with a remaining useful life of 8 years.

4) Nipon Berhad sold goods to Nikki Berhad at the price of RM 320,000. The goods were sold at cost plus 25%. At the end of 2021, half of the goods were still retained by Nikki Berhad.

5) Included in the trade receivable of Nikki Berhad included RM 24,000 due from Nicole. Nicole had remitted RM 10,000 owed, but Nikki Berhad received the money on 3 January 2022.

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6) At the end of 2021, upon assessment, it was found that the recoverable amount of investment in Nipon Berhad is less than the carrying amount of the investment by RM 5,000.

7) Nikki Group adopted the partial goodwill method.

8) Depreciation on depreciable assets was to be charged on a full-year basis in the year acquired.

9) There were no additional share issuances by the companies since year 2018.

Required:

Prepare the consolidated statement of financial position as at 31 December 2021. Support your answer with workings.

(25 marks)

(Total: 25 marks)

QUESTION 4

Green Group is a conglomerate engaging in the multiple businesses. The financial year end of the Group is 31 December annually. The accountant of Green Group provided the following information:

Green Group
Consolidated statement of profit or loss for the year ended 31 December 2021

	RM
Sales	5,000,000
Cost of sales	(3,000,000)
	2,000,000
Expenses	(1,110,000)
Operating profit	890,000
Share of profits of associate companies	35,000
Profit before tax	925,000
Tax expense	(140,000)
Profit after tax	785,000
Profit after tax attributable to:	
Green Berhad	600,000
Non-controlling interest	185,000
	785,000

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Green Group
Consolidated statement of financial position as at 31 December

	2021 RM	2020 RM
Equity		
Ordinary share capital	2,450,000	1,250,000
Retained profits	1,140,000	700,000
Non-controlling interest	575,000	275,000
	4,165,000	2,225,000
Assets and liabilities		
Property, plant and equipment	3,360,000	1,950,000
Investment in associate companies	260,000	200,000
Goodwill on consolidation	290,000	100,000
Inventory	600,000	450,000
Trade receivables	450,000	300,000
Bank	325,000	225,000
10% debentures	(500,000)	(400,000)
Trade payables	(620,000)	(600,000)
	4,165,000	2,225,000

Additional information:

i) In year 2021, plant of carrying amount of RM375,000 was sold for RM425,000.
ii) Expenses include depreciation of property, plant and equipment of RM205,000, gain/loss on disposal of non-current assets and impairment of goodwill.
iii) Green Berhad paid dividends of RM160,000 to shareholders in year 2021.
iv) In year 2021, Green Berhad acquired 20 percent interest in Black Sdn. Bhd. by paying cash of RM50,000.
v) Green Berhad purchased 80 percent interest in Maroon Berhad on 1 October 2021. The consideration transferred was 400,000 ordinary shares in Green Berhad and cash of RM200,000. The fair value of Green Berhad's ordinary share was RM2 each. The fair value of Maroon Berhad on 1 October 2021 is as follows:

	RM
Property, plant and equipment	500,000
Inventory	150,000
Trade receivables	125,000
Bank	175,000
Trade payables	75,000

Required:

a) Prepare the consolidated statement of cash flows for the year ended 31 December 2021 using the indirect method.

(17 marks)

b) Compute the following ratios for Green Group for year 2021:
i) current ratio ii) receivables turnover
iii) gross profit ratio iv) net profit ratio

(8 marks)
(Total: 25 marks)
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